Enterprise Resource Pla
Fast Start Kit

Overview

- ERP definition
- DCMC/DCAA/Industry study group
- DCMA guidance
- Recommendations for Industry/Govt
- Implementation/consequences
- Lessons learned
- What's in it for Government
- Risk management
- Planned HQ involvement
- Summary

Definition

ERP is a method for the effective planning and control of all resources needed to take, make, ship, and account for customer orders in a manufacturing, distribution, or service company.[1]

- ***It's an integrated business management information system that automates and links enterprise operational components.***
- ***It's an information conduit for the <u>entire</u> company.***

<u>What it isn't!</u>

- ***Easy and cheap to implement***
- ***A replacement for good management practices***

 Source: APICS Complex Industries Interest Group

DCMC/DCAA/Industry

- **August 1998 - Joint group recommended to examine ERP and identify common questions/concerns as a result of DCMC/DCAA/Industry Crosstalk meeting**
- **November 1998 - Charter signed by DCMC and DCAA**
- **April 1999 - Analysis and assessment completed**

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Study Conclusions

- **Use Management Councils and Teaming Agreements with suppliers**
- **Implementation approach and employee training are critical to success**
- **Early indications show no statutory or regulatory impediments**
- **Cultural challenge significant**
- **Early Government involvement is essential**

DCMA Guidance

- **Engage Customers and Stakeholders early in the process**
- **Review proposed process changes**
- **Ensure validity and accuracy of data**
- **Review planned changes to supplier's financial disclosure statement**
- **Use teaming approach and participate in:**
  - **ERP planning and strategy sessions**
  - **Meetings with DCAA and suppliers**

DCMA Role

- **Use Management Council process in deployment phases to resolve ERP issues**
- **Utilize Risk Management guidance when assessing supplier changes to processes**
- **Send all CMO lessons learned to district ERP focal points**

Recommendations For Industry

- **Share best practices**
- **Examine possible civil/military integration of supplier, Government, and software supplier ERP systems**
- **Encourage user groups workshops/conferences**
- **Use the Management Council as a means to establish ground rules for teaming and involving customer**

Recommendations For Govt

- **Early involvement in implementation**
- **Increase communication**
- **Improve training**
- **Emphasize current risk management and auditing approaches**
- **Encourage system access**

Implementation/Consequen

- **Properly implemented ERP systems will help suppliers to more effectively manage key business drivers**
  - **Cost**
  - **Quality***
  - **Lead-time / delivery**

*** Including lifetime product configuration**

- **However, effective implementations <u>may</u> affect suppliers current processes**
  - **Accounting**
  - **Estimating**
  - **Purchasing**
  - **Production management**
  - **Configuration management**
  - **Quality**
  - **Property**

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Lessons Learned

- **ERP costs a lot of money**
- **Top management understanding and support needed**
- **Must have clear understanding of business processes prior to ERP implementation**
- **May require a paradigm shift**
- **Installations take time, no instant fix**

Implementation Problems

- A large company delayed implementation of an ERP system after spending in excess of $200 million (based on high cost to start and sector reorganization)

- A supplier gave up ERP implementation stating they were overwhelmed by the organizational changes involved

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Implementation Problems

- **A supplier faced delays in shipping its product since switching to an ERP system. The United States was the sixth country in which a supplier installed ERP software, and in each country the supplier ran into similar problems following installation.**

- **A manufacturer had initial problems producing earned value data which adversely affected customers**

What's In It for Governm

- **Improvement in meeting DOD goals for reducing cycle times and acquisition cost**
- **Support Paper Reduction Act through data access**
- **Information integration could reduce the number of Government reviews**
- **Potential for development of shorter lead-times for contract closeout and overhead settlements**

Risk Management

- **ERP system implementation is high risk. This requires that suppliers and DCMA have an agreed to contingency plan for Risk Management.**

- **Some areas to watch:**
  - **Earned Value Management**
  - **DD250 Process**
  - **Data Conversion**
  - **System Testing**

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Planned HQ Involveme

- **Improve field guidance and education on ERP**
- **Obtain feedback and publish lessons learned**
- **Move to encourage strategic supplier agreements for ERP**
- **Continue to work with industry**
- **Leverage ERP enabled processes to implement other related DOD initiatives (i.e. Integrated Digital Environment)**

Summary

- **Early Government Involvement Is Essential**
- **Communicate Using Management Councils**
- **Establish Teaming Agreements With Suppliers**
- **Keep Customers Informed**